



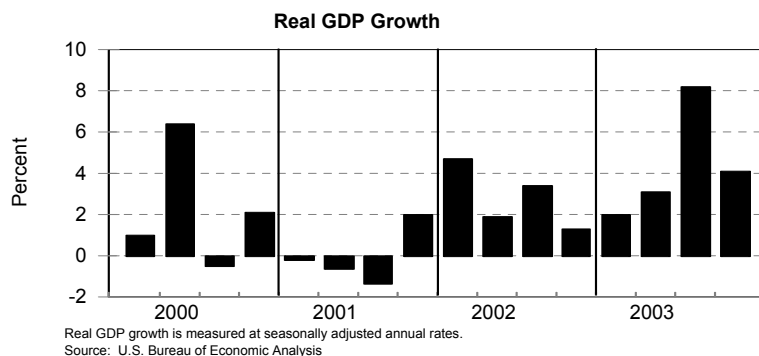
FRIDAY February 27, 2004

GROWTH MODERATES IN THE FOURTH QUARTER

Revised estimates of GDP

Economic growth slowed in the fourth quarter of 2003, according to estimates of GDP released today by the U.S. Bureau of Economic Analysis.

Gross domestic product (GDP), the most comprehensive measure of U.S. economic activity, is now estimated to have increased at an inflation-adjusted annual rate of 4.1 percent in the fourth quarter. This growth rate is 0.1 percentage point higher than was shown in last month's "advance" estimate for the quarter; upward revisions to business investment in equipment and software and investment in inventories were roughly offset by a downward revision to the trade balance.



The 4.1-percent growth in the fourth quarter is half the third-quarter rate but more than the 3.3-percent average rate of the preceding two years. The slowdown from the third quarter to the fourth mainly reflected slower growth of consumer spending, a reversal of the trade balance, and a slowdown in residential investment.

- The growth of consumer spending slowed from a high rate in the third quarter, when incomes were boosted by advance payments of the child tax credit (provided for by the spring 2003 tax cut). (Real disposable personal income was unchanged in the fourth quarter after increasing 6.3 percent in the third.) Consumer purchases of big-ticket items changed little after a strong increase in the third quarter; purchases of other goods and purchases of services increased somewhat less than in the third quarter.
- The trade balance deteriorated after improving in the third quarter. Exports accelerated, but imports accelerated more (mainly reflecting strong upturns in imports of consumer goods and autos).
- Residential investment increased less than 10 percent after increasing more than 20 percent in the third quarter; brokers' commissions turned down, reflecting a drop in house sales from the third-quarter's record level.
- Business investment posted a healthy increase, though not quite as strong as in the third quarter. Investment in equipment and software again grew at a double-digit rate. In contrast, structures decreased, as it has in eight of the last nine quarters.

GDP growth received a boost from inventory investment, which swung from liquidation in the third quarter to accumulation in the fourth.

Inflation remained modest in the fourth quarter.

- Prices paid by U.S. residents increased 1.1 percent after increasing 1.8 percent. A downturn in prices of energy goods and services explain the slowdown. Excluding energy and food items, prices increased 1.2 percent, about the same as in the third quarter.

BEA's data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states and industries—are available on its Web site: <www.bea.gov>.

NOTE: Additional information that becomes available in the coming weeks will be incorporated in a revised estimate of fourth-quarter GDP—and new estimates of fourth-quarter corporate profits—on March 25, 2004.

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